EUROZONE
2024-2025 SCENARIO

RECALIBRATION OF THE BALANCE OF RISKS

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WORKING EVERY DAY IN YOUR INTEREST AND FOR SOCIETY

GROUP ECONOMIC RESEARCH

CONTENTS

RECALIBRATION OF THE BALANCE OF RISKS

Scenario highlights

- Robust economic and financial situation of private agents
- Consumption catch-up potential not yet exhausted
- Several factors point to a moderate decline in the savings rate
- Less restrictive monetary policy

- Slowdown in growth in the two main partner regions
- Marked weakening of manufacturing activity
- Risk recalibration with the downside risk to growth exceeding the upside risk to inflation
- More restrictive fiscal policy

	2022	2023	2024	2025
GDP (y/y, %)	3,4	0,5	0,8	1,3
Domestic demand (contribution to GDP, pps)	3,4	0,9	0,2	1,0
Stockbuilding (contribution to GDP, pps)	0,1	-0,5	-0,6	-0,1
Net exports (contribution to GDP, pps)	0,0	0,1	1,2	0,4
Private consumption (y/y, %)	4,9	0,8	0,7	1,2
Investment (y/y, %)	2,1	1,1	-2,6	0,9
Inflation (y/y, %)	8,4	5,4	2,3	1,9
Unemployment rate (%)	6,8	6,6	6,5	6,4
Fiscal balance (% of GDP)	-3,8	-3,7	-3,2	-2,8

Sources: Eurostat, Crédit Agricole S.A./ECO.

Our “narrative”, based on a recovery driven by domestic demand, and private consumption in particular, is being tested. This scenario was not confirmed by actual developments in the first half of 2024. While the fundamentals of a recovery in household purchasing power remain in place, households continue to increase their savings rate to the detriment of consumption.

In the absence of household spending, lacklustre economic activity is keeping a lid on any improvement in productivity and the expected gains in profitability, limiting the prospects for an increase in productive investment. **The recovery in domestic demand has been postponed but is expected to come at a more moderate pace than previously anticipated.** The emerging scenario continues to benefit from positive carry-over effects in 2024 (+0.5% at the end of the second quarter), but the pace of the growth trajectory is below potential.

We are forecasting GDP growth of 0.8% in 2024 and 1.3% in 2025. The disinflation process is expected to continue, with inflation below the ECB target in 2025 (1.9%, after 2.3% in 2024).

THE SCENARIO IN BRIEF

RECOVERY UNDER WAY, BUT NOT WHERE IT WAS EXPECTED

Our “narrative”, based on a recovery driven by domestic demand, and private consumption in particular, is being tested. This scenario was not confirmed by actual developments in the first half of 2024. While the fundamentals of a recovery in household purchasing power remain in place, households continue to increase their savings rate to the detriment of consumption.

With no real impetus from household spending, lacklustre economic activity is keeping a lid on any improvement in productivity and the expected gains in profitability, limiting the prospects for an increase in productive investment. **The recovery in domestic demand has been postponed, but is expected to come at a more moderate pace than previously forecast.** The emerging scenario continues to benefit from positive carry-over effects in 2024 (+0.5% in the second quarter), but the pace of the growth trajectory is below potential. **We are forecasting GDP growth of 0.8% in 2024 and 1.3% in 2025. The disinflation process is expected to continue, with inflation below the ECB target in 2025 (1.9%, after 2.3% in 2024).**

While the economic and financial situation of private agents remains solid and the labour market resilient, the sharp slowdown in manufacturing activity is jeopardising growth. While employment slowed less in manufacturing and construction than in business services and continued to trend positively in the second quarter, the deterioration in economic activity poses a risk to employment prospects in the sector. We forecast a slight rise in the unemployment rate based on surveys suggesting that companies retain jobs above the long-term average, particularly in industry. This assumption is also supported by the return to normal of labour force growth. The unemployment rate is expected to rise slightly at the end of 2024 before falling back to an annual average of 6.4% in 2025, after 6.5% in 2024.

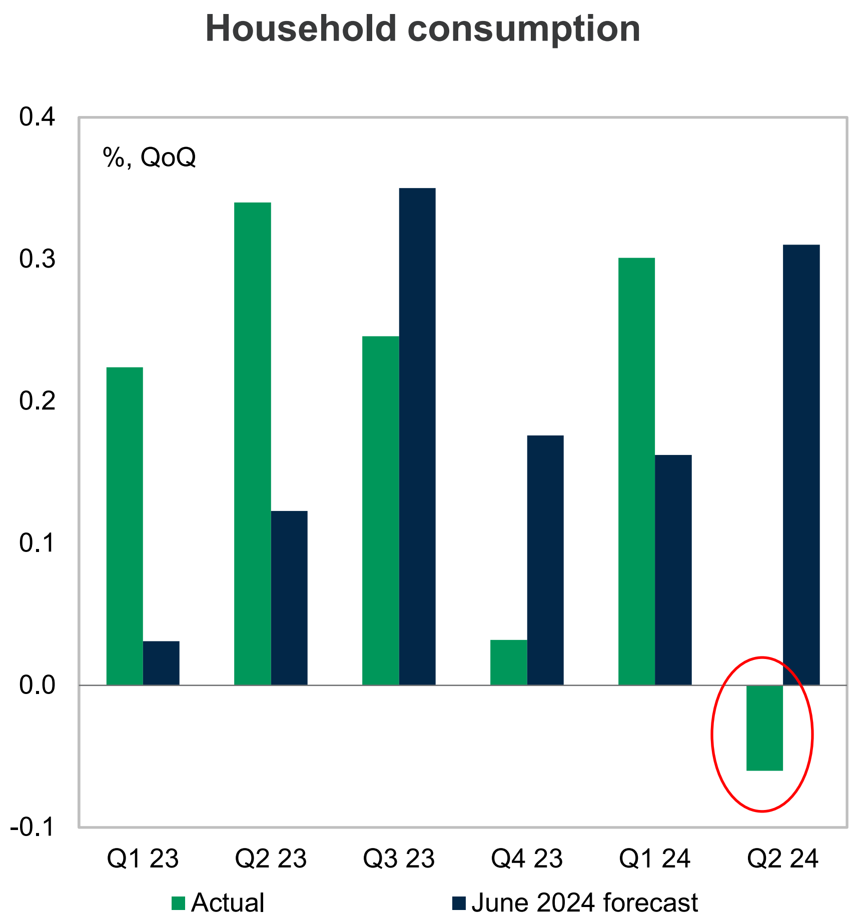
In the coming quarters, the expected cuts in key interest rates and the continued reduction in the rate on new loans should mitigate the loss of real-estate purchasing power and reduce the savings required to offset these losses. Through continued growth in real income and the reconstitution of real wealth, boosted by declining inflation, **household consumption is expected to accelerate in early 2025 to return to a more sustained pace of expansion, averaging +1.2% in 2025 after +0.7% in 2024.**

Greater uncertainty reigns over our forecast for investment, though it is also **expected** to **recover at the end of 2024. This will enable positive growth in 2025, at +0.9%, after -2.6% in 2024, as financing conditions gradually ease, European demand rises slightly and the pressure from unit labour costs on margins diminishes.**

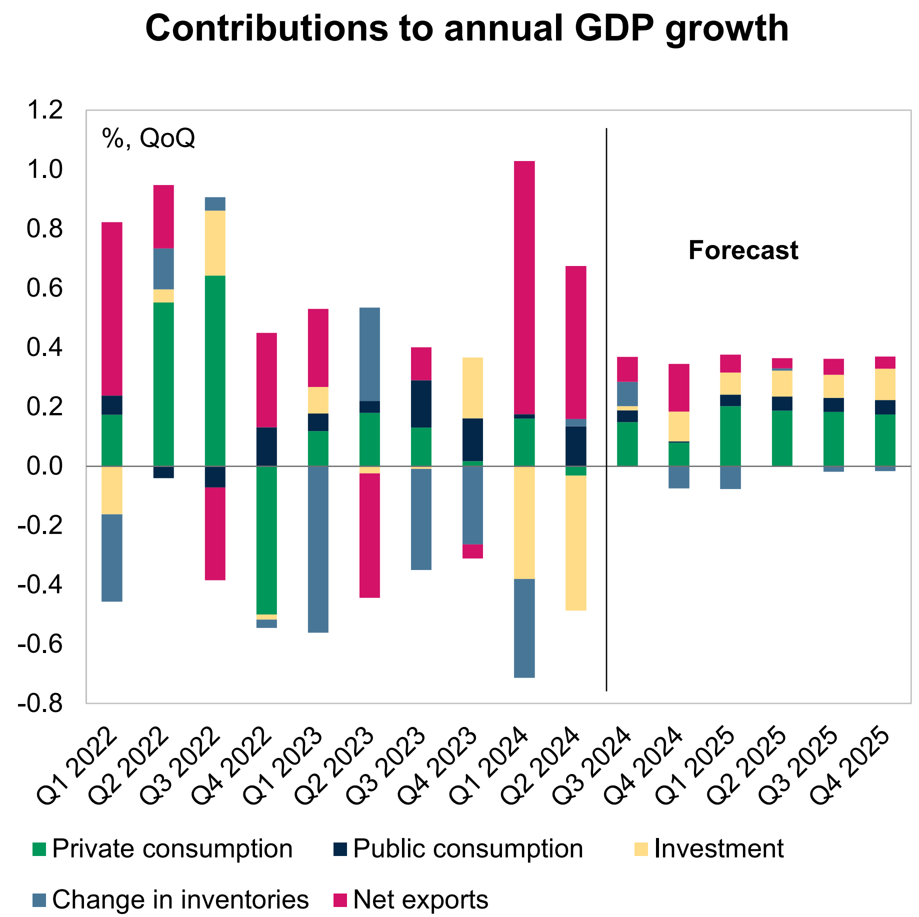
With growth slowing in its two main partner regions, the United States and China, **the acceleration in growth in the Eurozone will hinge primarily on renewed momentum in domestic demand.** We have recalibrated risks with the **downside risk to growth now exceeding the upside risk to inflation.**

THE SCENARIO IN BRIEF

RECOVERY UNDER WAY, BUT NOT WHERE IT WAS EXPECTED



Sources: Eurostat, Crédit Agricole S.A./ECO.



Sources: Eurostat, Crédit Agricole S.A./ECO.

INTRODUCTION

THE INTERNATIONAL ENVIRONMENT

With growth slowing in its two main partner regions, the United States and China, the acceleration in growth in the Eurozone will hinge primarily on renewed momentum in domestic demand. We expect US growth to slow substantially towards the end of the year, though a recession is no longer on the cards. Growth is expected to reach 2.5% in 2024, the same as in 2023, before slipping to 1.3% in 2025. Headline inflation is expected to average around 2.9% in 2024 and 2.2% in 2025. In China, the stimulus plan aimed at revitalising a slackening economy is expected to generate GDP growth of 4.7% in 2024 and 4.2% in 2025. Despite weak demand, control over supply should allow the oil market to gradually return to equilibrium, with prices at around $80 per barrel.

The monetary easing process is set to continue. In the United States, the cumulative decline is expected to total 100 basis points in 2024 and an identical 100bp in 2025, with the rate trending from 4.5% at end-2024 to 3.5% in Q3 2025. The ECB is expected to maintain the pace of cuts initiated in June and September, with a 25bp rate cut per quarter until the deposit rate reaches 2.50% in September 2025. Interest rates have already taken a substantial downward turn and the potential for further decline is limited. In the United States, 10-year yields are forecast to reach 3.80% at end-2024 and 3.60% at end-2025. In the Eurozone, the Bund yield is expected to nudge 2.15% at end-2024 then 2.30% at end-2025. Excluding any additional shocks, the OAT-Bund spread will stay put at 80bp. In the short term, we continue to expect the euro to depreciate against the dollar. However, our three- and six-month forecasts are less bearish than previously, with the €/$ exchange rate moving from 1.08 at the end of 2024 to 1.12 at the end of 2025.

International background assumptions

	2022	2023	2024	2025	2023				2024				2025			
					T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4
World GDP (y/y, q/q, %)	3,5	3,3	3,0	2,7	-	-	-	-	-	-	-	-	-	-	-	-
United States GDP (y/y, q/q, annualised, %)	1,9	2,5	2,5	1,3	2,8	2,5	4,4	3,2	1,6	3,0	1,7	0,5	0,8	1,4	1,7	2,0
Eurozone GDP (y/y, q/q, %)	3,4	0,5	0,8	1,3	0,5	0,1	0,0	0,1	0,3	0,2	0,4	0,3	0,3	0,4	0,3	0,4
China GDP (y/y, q/q, %)	3,0	5,2	4,7	4,2	1,8	0,8	1,5	1,2	1,6	0,6	1,1	1,1	1,1	1,0	1,0	1,0
ECB deposit rate (end of period, %)	2,00	4,00	3,25	2,50	3,00	3,50	4,00	4,00	4,00	3,75	3,50	3,25	3,00	2,75	2,50	2,50
Federal Reserve funds rate (end of period, %)	4,50	5,50	4,50	3,50	5,00	5,50	5,50	5,50	5,50	5,50	5,00	4,50	4,00	3,75	3,50	3,50
Exchange rate (average, EUR/USD)	1,05	1,08	1,09	1,10	1,07	1,09	1,09	1,08	1,09	1,08	1,10	1,08	1,08	1,09	1,10	1,12
Brent (average, USD/barrel)	99,1	82,2	80,9	80,5	82,2	77,9	85,9	83,0	81,9	85,0	78,9	78,0	75,0	80,0	82,0	85,0

Sources: BAE, ECB, Eurostat, IMF, Refinitiv, Federal Reserve, Crédit Agricole S.A./ECO.

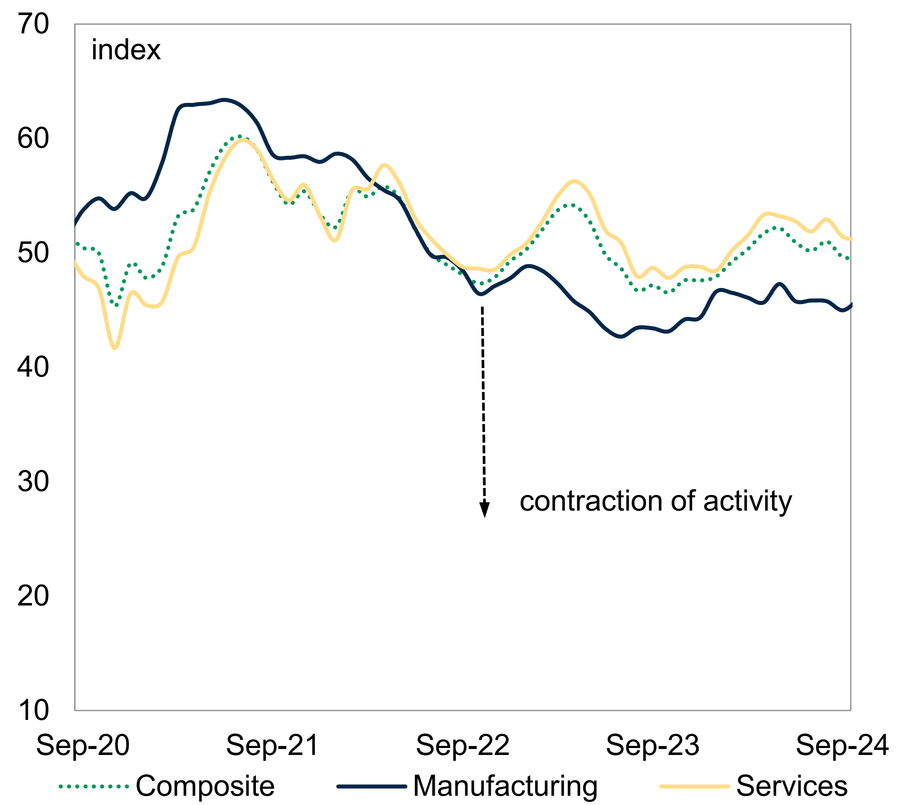
INDUSTRIAL SETBACKS UNDERMINE EUROZONE ACTIVITY

Activity in industry fell slightly once again in Q2 2024, though the trend was offset by the positive growth rate in value added in services (+0.2% over the quarter for merchant services, +0.1% for non-merchant services). However, this growth pace is declining and may no longer serve to offset the industry's setbacks if the latter persist. Employment, up 0.2%, continued to grow more than economic activity and the decline in productivity afoot since the end of 2022 continued in the second quarter.

Half of the sharp 2.1-point drop in the Eurozone PMI in September, to just 48.9, can be attributed to France, the result of the post-Olympic Games slump and a possible undervaluation that could reverse in October. The rest of the Eurozone has slowed significantly. Germany is the weakest link, but its PMI already signalled a modest contraction in the last two to three years, without leading to a more emphatic pause in the economy.

Consumer surveys do not point to an immediate recovery in household spending, particularly with respect to major purchases and the decline in the savings rate.

PMIs: activity contracts at the end of Q3 2024



Sources: S&P Global, Crédit Agricole S.A./ECO.

HOUSEHOLDS

INFLATION OUTSIDE THE DANGER ZONE AND BOLSTERING PURCHASING POWER

The disinflation process is well under way and expected to continue over the forecast horizon. We are forecasting Eurozone headline inflation of 2.35% in 2024, 1.93% in 2025 and 1.79% in 2026. We expect core inflation to come out at 2.82% in 2024, 2.17% in 2025 and 1.91% in 2026. While energy began to contribute negatively to inflation in early 2023, in H2 2023 and H1 2024 it was food and basic goods that gradually returned to their pre-pandemic trajectory. The only factor that continues to fuel inflation is services inflation.

We have been surprised by the dip in the trajectory of basic goods over the past few months. **The index** of basic goods excluding clothing stood at 0.3% year-on-year in September, the same as before the pandemic. **At 0.4%, the index of industrial goods excluding energy** is hardly higher. Global inflation in basic goods is expected to remain slightly below pre-Covid levels in the coming quarters for several main reasons. First, China's aggressive export-driven growth strategy is pushing down its export prices. Second, the return to normal in inventories having contributed to goods disinflation is still under way in Europe. As a result, the container ship crisis is easing a little faster than expected. Shipping costs decreased slightly faster than expected owing to increased container supply, the end of the busy summer season and relatively subdued demand.

Before the recent escalation in tensions between Israel and Iran, crude oil prices were fairly low, with Brent crude approaching a near three-year low of USD 70-72/bbl on the prospect of an increase in Saudi Arabian crude production and modest global demand. In one week, crude oil prices rebounded by around 10% from USD 72/bbl to USD 79/bbl, which is not excessive given the geopolitical situation. The rebound in oil prices automatically pushed up our forecasts for the next 12 months but failed to change our assessment of the situation. In addition to energy price volatility, our assumption is supported by the considerable supply capacity of OPEC members, particularly Saudi Arabia, and by a lack of discipline on the part of producers relative to the voluntary reduction of supply and the role of the United States as the largest oil producer.

Services inflation remains high. Standing at 4% in September, it is expected to decline in the coming months. We expect it to fall to 3.8% by the end of the year and dip below 3% by mid-2025. This trend will be driven primarily by the weaker wave of resets (for example, in car insurance and rents) in early 2024, and by the gradual and continuous easing of labour-intensive services. The end of the summer season and the Olympic Games should lead to a considerable drop in tourism-related prices.

The slowdown in wages is expected to keep a lid on inflation in labour-intensive services. Furthermore, disinflation is limiting the transfer of wage-cost growth to sales prices by compressing margins. Unit profits are no longer contributing to inflation, thus reducing the risk of a wage-price spiral.

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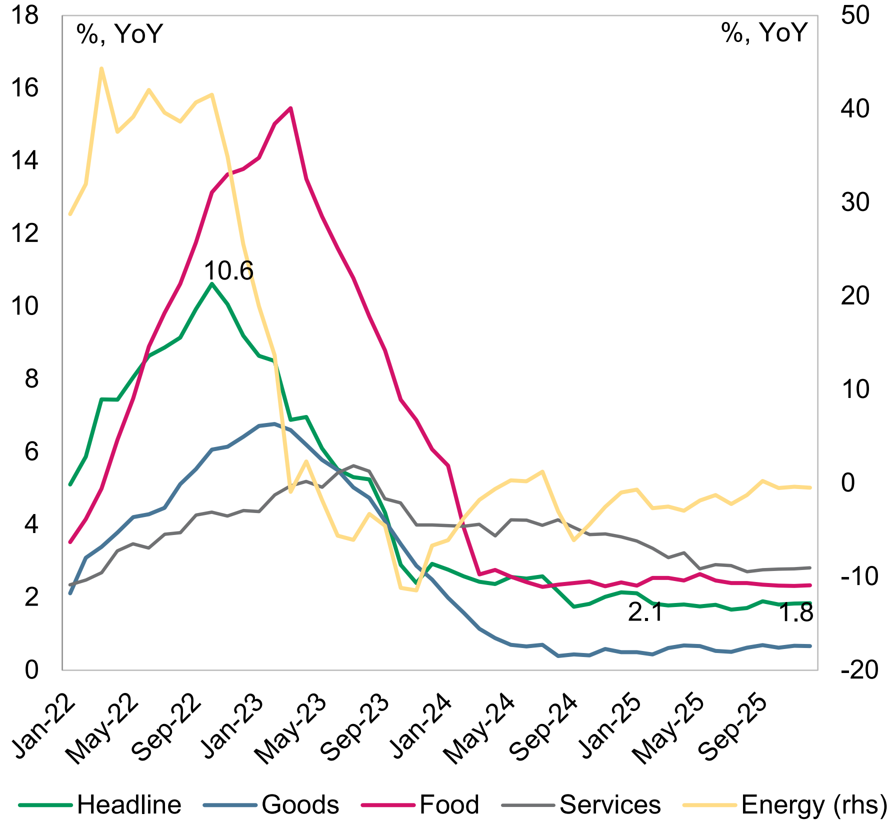
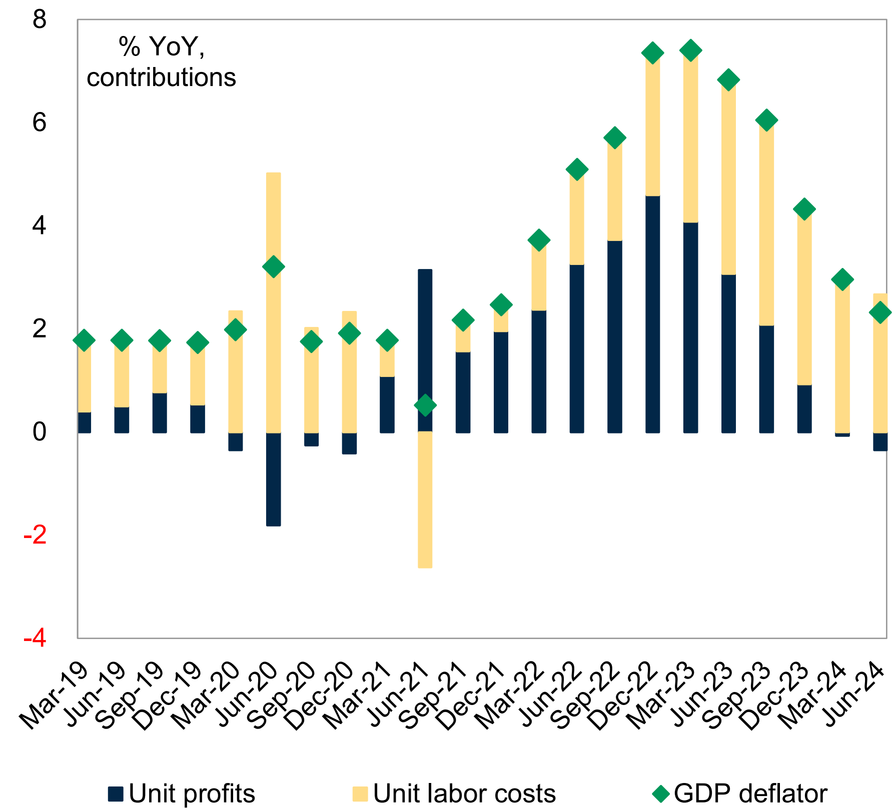
INFLATION OUTSIDE THE DANGER ZONE AND BOLSTERING PURCHASING POWER

Inflation dipping across all components



Sources: Eurostat, CACIB, Crédit Agricole S.A./ECO.

Profits are no longer contributing to inflation



Sources: Eurostat, Crédit Agricole S.A./ECO.

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SOLID FUNDAMENTALS NOT REFLECTED IN MORE CONSUMPTION

Private consumption in Q2 2024 was negative in Germany (-0.2%), barely positive in France (+0.1%) and Italy (+0.2%), and somewhat more dynamic in Spain (+0.3%). This trend has been accompanied overall by a fresh increase in the Eurozone savings rate.

However**, household disposable income continues to grow both in nominal terms (+4.8% year-on-year) and real terms (+3%). It is being driven by job creations, which remain positive (+0.9% year-on-year), and hours worked, which continue to rise (+1%),** though at a slower pace. Wages per employee continue to grow steadily (4.3% year-on-year), but the trend is weakening, particularly in construction. Wage momentum remains strong in services.

Capital income has also risen sharply since 2022 for the household operating surplus and since 2021 for property income. The household operating surplus has been strongly impacted by the positive effect of inflation on imputed rents. The trend in property income results from the recognition in the national accounts of interest income at the interbank rate, which immediately incorporates the increase in key rates into household income, before the increase in interest rates on loans and deposits. **The increase in property income in accounting terms is not fully reflected in household income in actual terms. This means that household disposable income is overestimated, which may explain the lag in consumption relative to disposable income.**

Despite the increase in savings, **physical investment by households continued to deteriorate, falling 0.6% in value and bringing the investment rate down to 9.2% in Q2 2024**. However, it remains above its pre-pandemic average.

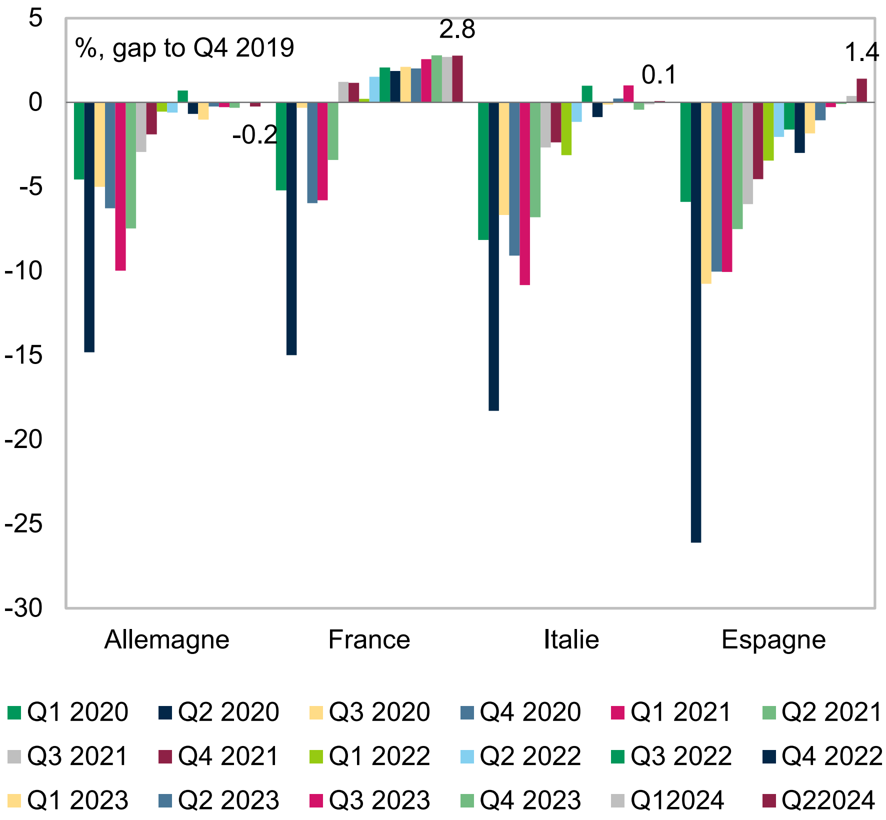
Household financing capacity continues to rise, fuelling financial wealth. The reallocation to longer-term deposits that followed the rise in interest rates continues, but at a slower pace. The decline in outstanding liabilities came to a halt in the second quarter. These liabilities are growing at a slower pace than disposable income, serving to **further reduce the debt ratio of households (52.4%**, compared with 54.5% a year earlier). **Household loans increased by 0.4% year-on-year in Q2 but rose faster over the summer (0.6% in August). Growth in household loans is being hampered by repayments, while growth in new loans is gaining momentum.**

Given the solid economic and financial fundamentals of households, what kind of rebound in consumption can be expected? Household spending returned to pre-Covid levels in spring 2022, but the increase has since been slowed by inflation following the war in Ukraine. As a result, four and a half years after Covid, consumption is only 1.7% higher than before the pandemic. The consumption of durable goods still has rebound potential in France, where it has recovered little since the dual shock of Covid and Ukraine. Services consumption is far from having completed its recovery in Germany and Italy. The biggest expenditure decrease in all Eurozone countries has been on non-durable consumer goods. This has been particularly true since 2022, the result of rising food and energy prices. While disinflation in food and energy prices may revitalise their consumption, structural adjustments may have occurred, particularly with regard to energy consumption.

HOUSEHOLDS

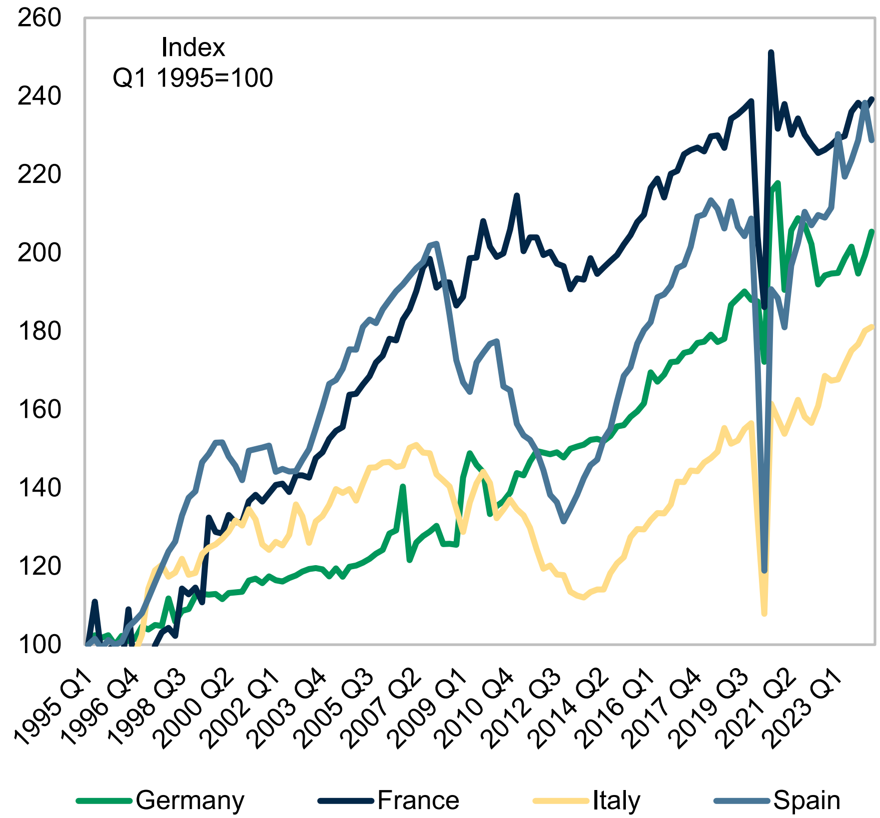
WHAT IS THE RECOVERY POTENTIAL IN CONSUMPTION?

Household consumption: gap with pre-crisis level



Sources: Eurostat, Crédit Agricole S.A./ECO.

Consumption of durable goods

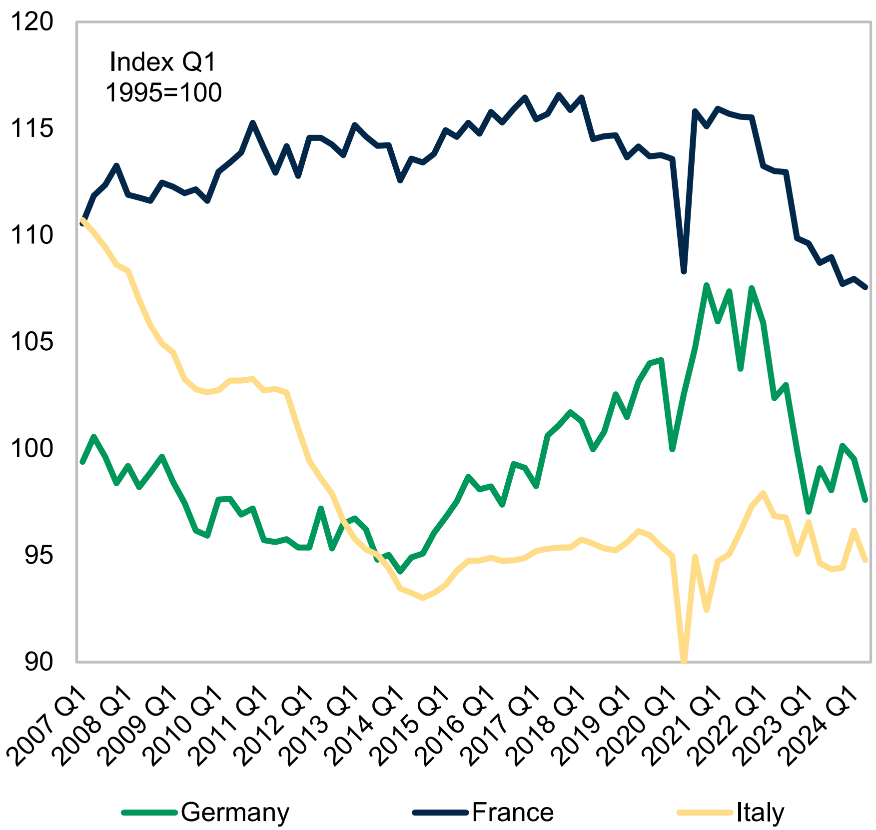


Sources: Eurostat, Crédit Agricole S.A./ECO.

HOUSEHOLDS

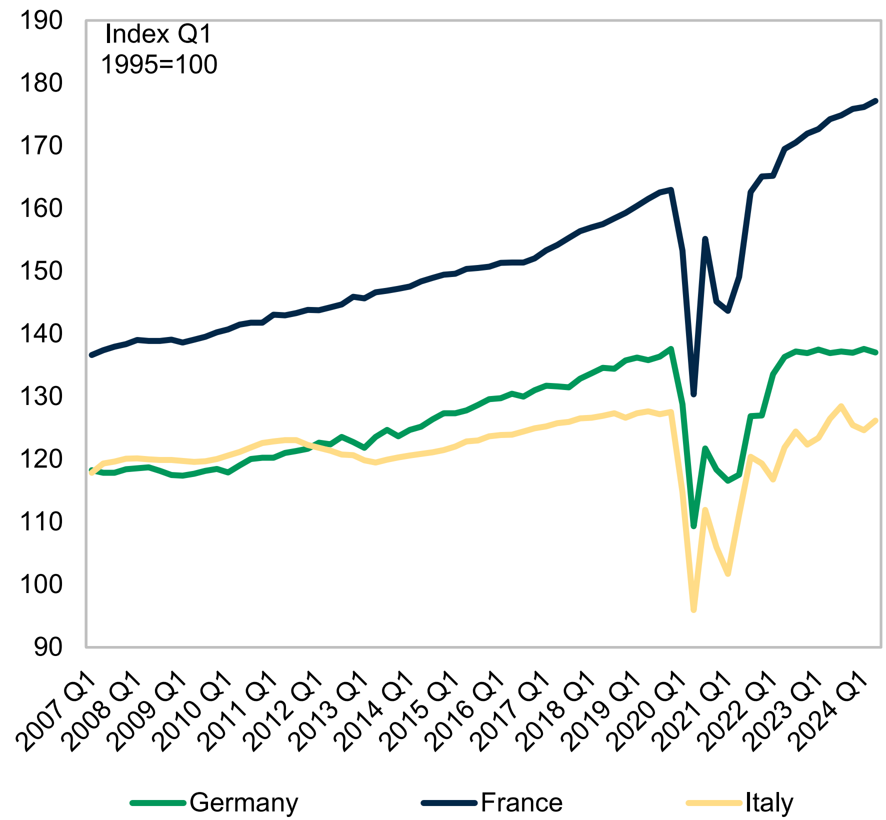
WHAT IS THE RECOVERY POTENTIAL IN CONSUMPTION?

Consumption of non-durable goods



Sources: Eurostat, Crédit Agricole S.A./ECO.

Consumption of services



Sources: Eurostat, Crédit Agricole S.A./ECO.

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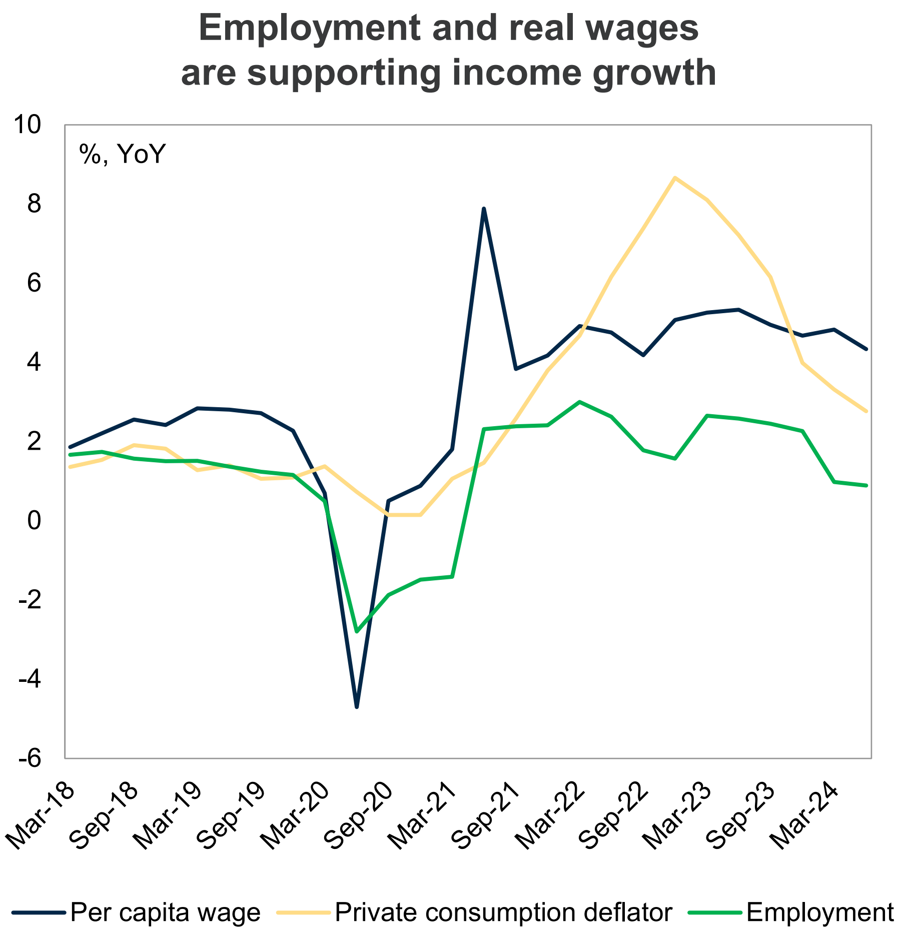
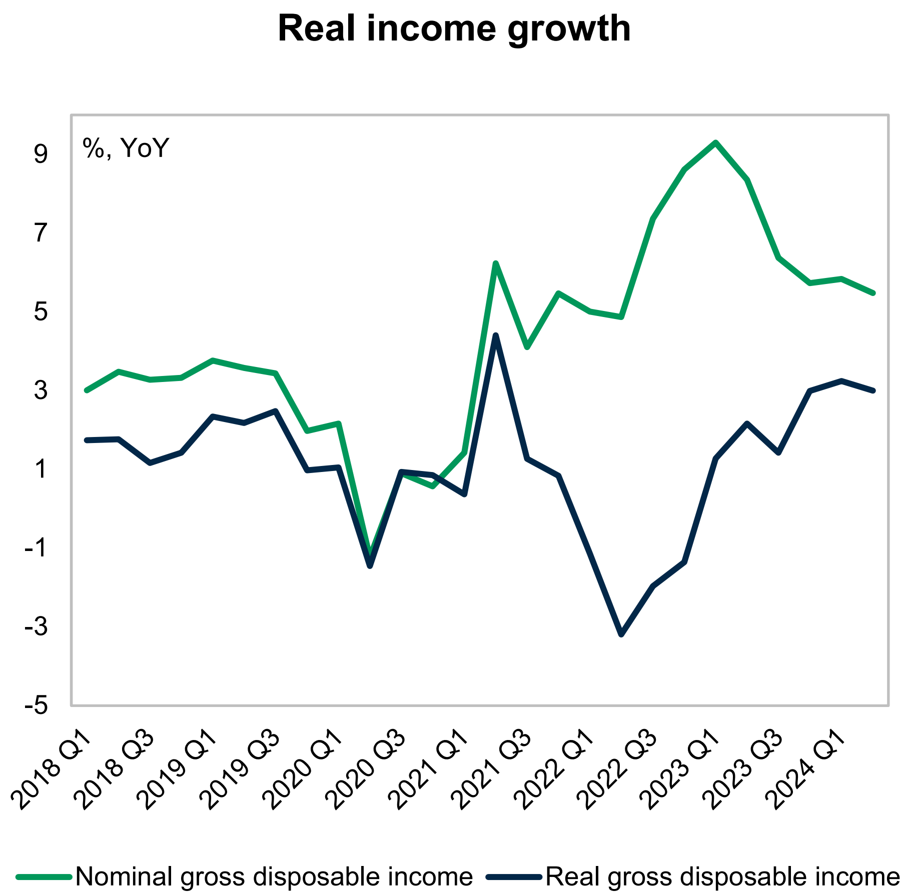
SOLID FUNDAMENTALS



Sources: Eurostat, Crédit Agricole S.A./ECO.



Sources: Eurostat, Crédit Agricole S.A./ECO.

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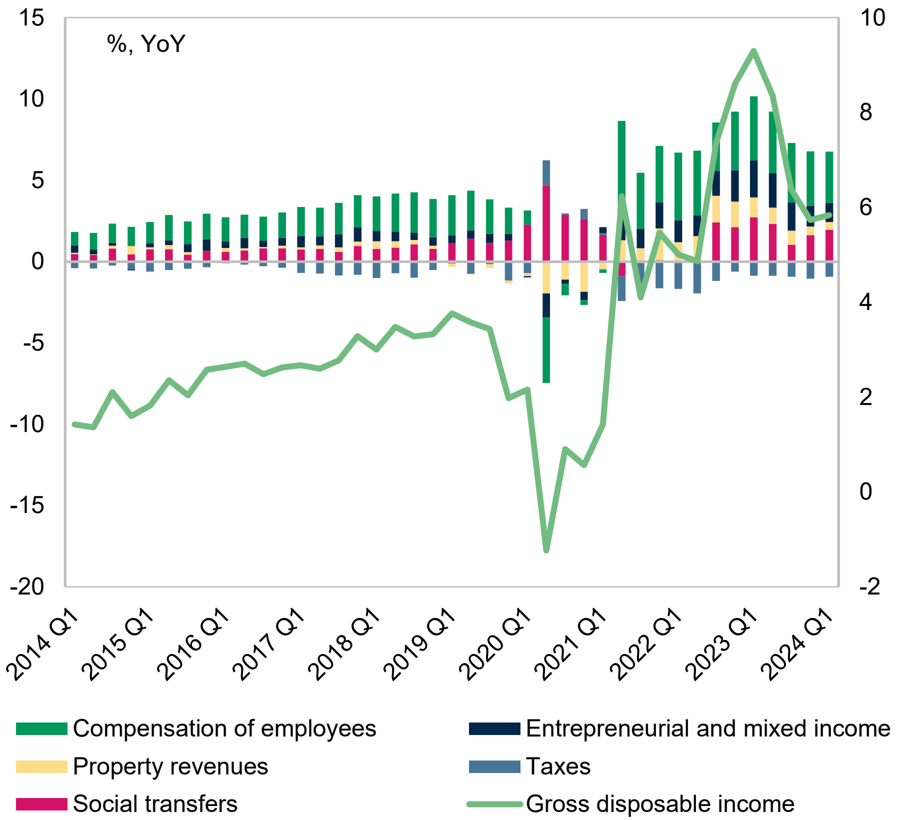
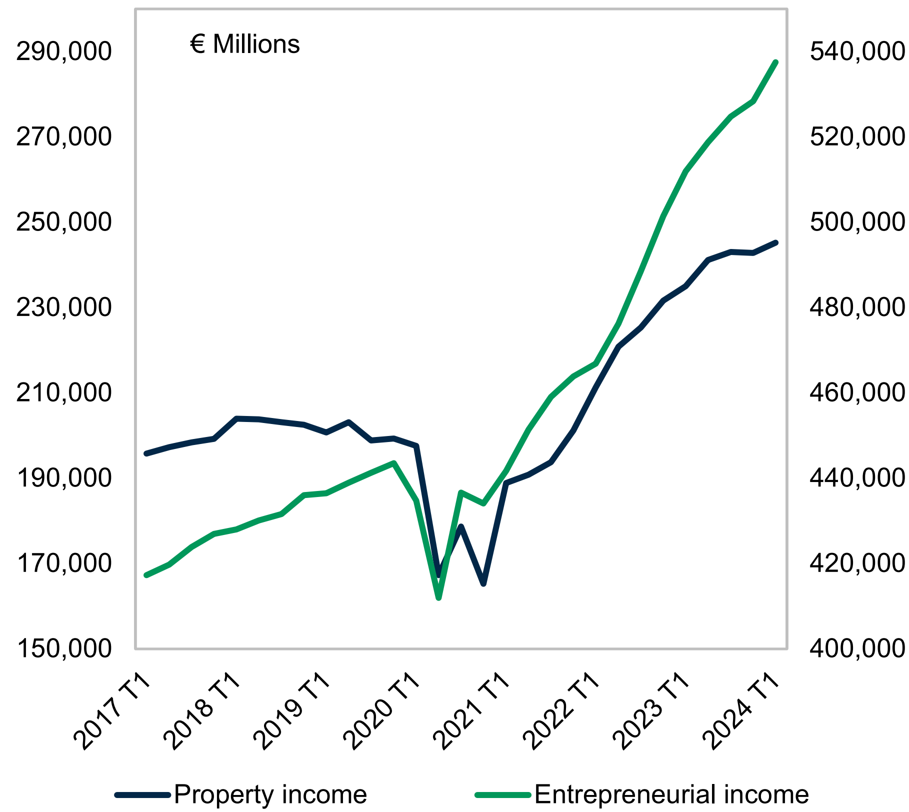
EXCEPTIONAL FACTORS

Contributions to growth in disposable income



Sources: Eurostat, Crédit Agricole S.A./ECO.

Capital income up sharply



Sources: Eurostat, Crédit Agricole S.A./ECO.

HOUSEHOLDS

TO SAVE OR NOT TO SAVE, THAT IS THE QUESTION – FOUR ANSWERS

The savings rate has risen once again in all major Eurozone economies, despite gains in real income. After showing signs of dwindling in 2022, the surplus savings built up since the pandemic have started to grow again. The savings rate in the Eurozone stands at 15.7%, much higher than the pre-Covid average.

Four factors explain this preference to save.

First, **precautionary savings have increased** owing to uncertainty over economic variables subject to violent shocks, in particular inflation, as well as uncertainty over the economic, budgetary and monetary policy environment, and, more broadly, new geopolitical trends.

Second, there is a need to save more in order to **rebuild real cash balances**, which have been eroded by inflation, as shown by the stock of financial wealth. The latter shrunk in real terms from the end of 2021 and has only recovered since the end of 2023, struggling to reach its pre-pandemic level. This deterioration has been more pronounced among the lower deciles of wealth distribution, for which nominal wealth has increased less than for the higher deciles.

The increase in savings also corresponds to a need to **rebuild real-estate purchasing power**, which has been reduced by negative effects combined with prices and interest rates, exceeding the positive effects linked to income. The extremely weak growth in home loan outstandings (which are still negative in France and Spain) suggests that part of these savings is being used for repayments that offset the recovery in new loans.

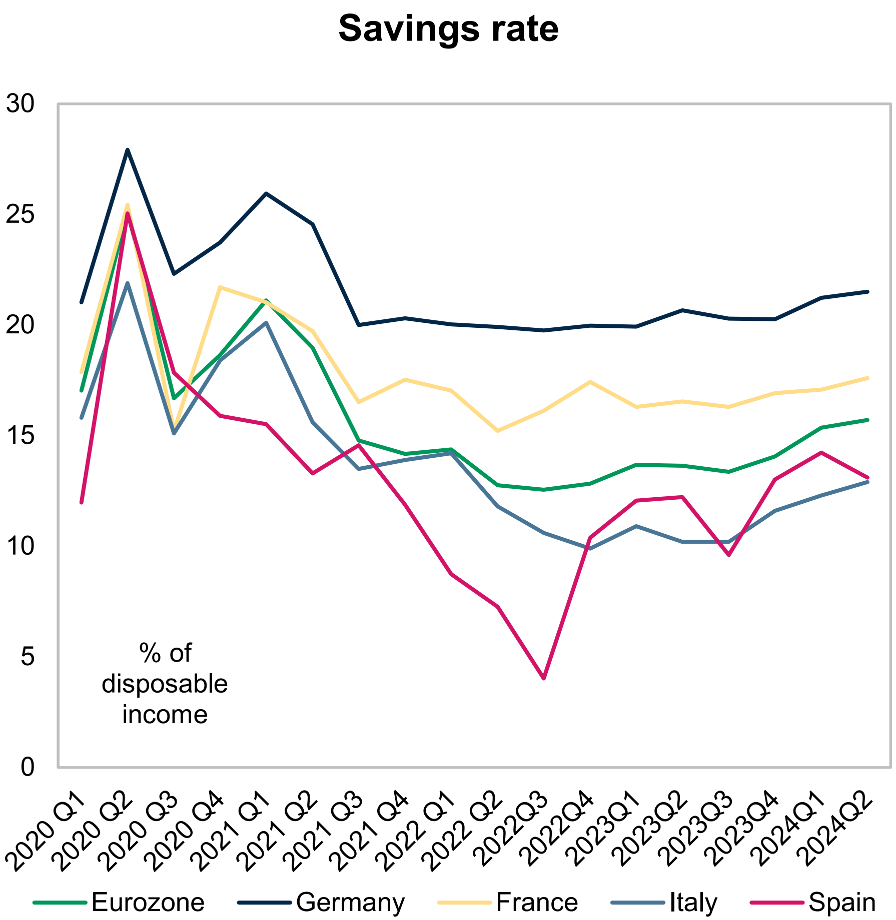
Lastly, the sharp increase in household disposable income can also be attributed to **the rise in property income and the operating surplus**. This income is **received by households in the highest income distribution deciles,** characterised by a lower propensity to consume. This income is therefore more likely to be saved.

In the coming quarters, this phenomenon should be mitigated by the expected cuts in key interest rates and the continued reduction in the rate on new loans, limiting the loss of real-estate purchasing power. Lower rates could also facilitate the reallocation of assets towards products that are more liquid and available for consumption. Lower inflation should also halt the erosion of real wealth and limit the savings needed to rebuild real cash holdings. Above all, the advanced disinflation process should support household confidence and limit precautionary savings. However, the weakening of the labour market could offset this positive effect on confidence. Also, we do not expect excess savings to be spent widely as they are concentrated among the top distribution deciles, which have a low propensity to consume.

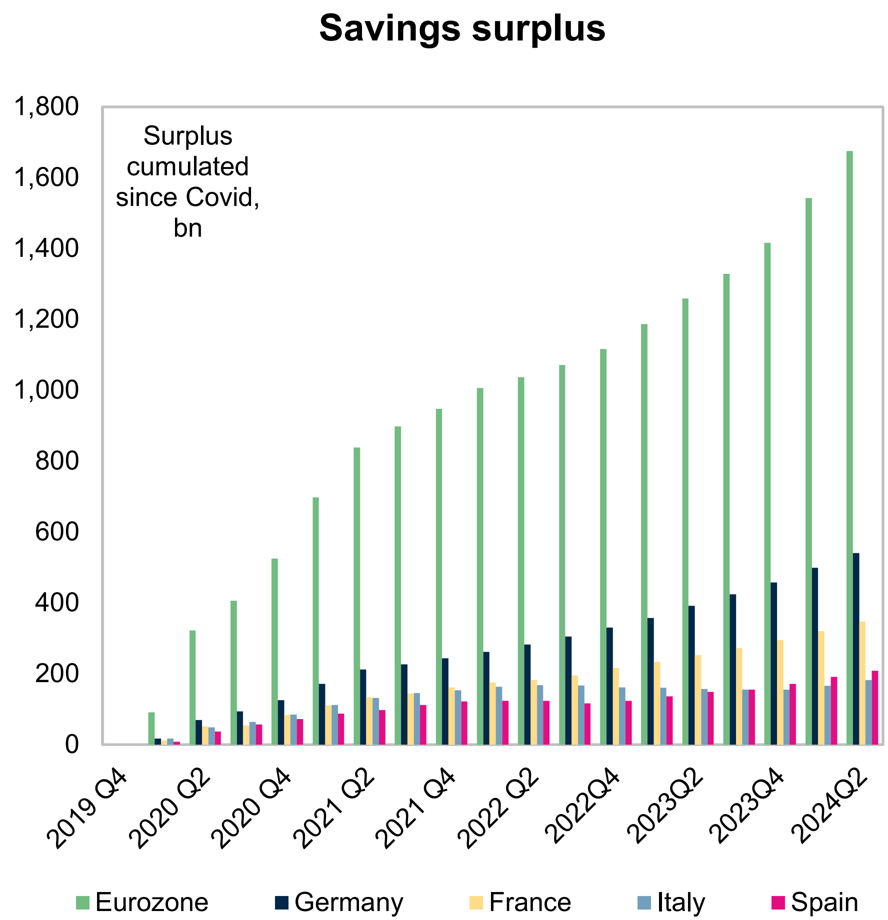
Based on these factors, we are forecasting a modest acceleration in household consumption in early 2025, increasing at a slightly stronger rate of +1.1% on an annual average in 2025 after +0.7% in 2024.

HOUSEHOLDS

SAVINGS RATE: UPPER AND UPPER



Sources: Eurostat, Crédit Agricole S.A./ECO.

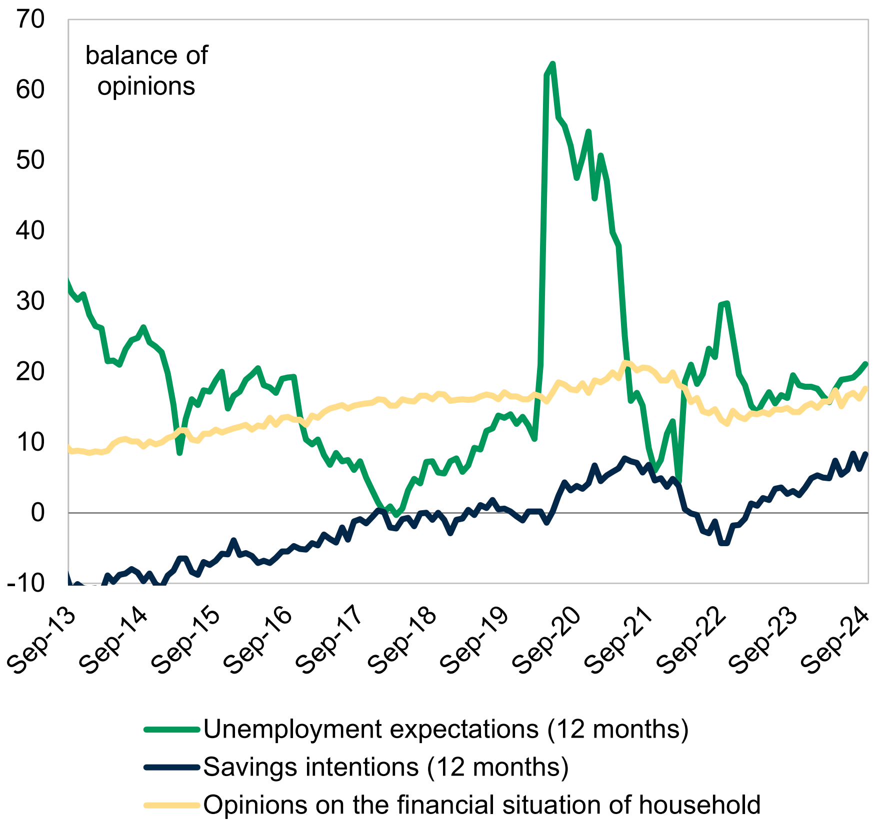


Sources: Eurostat, Crédit Agricole S.A./ECO.

HOUSEHOLDS

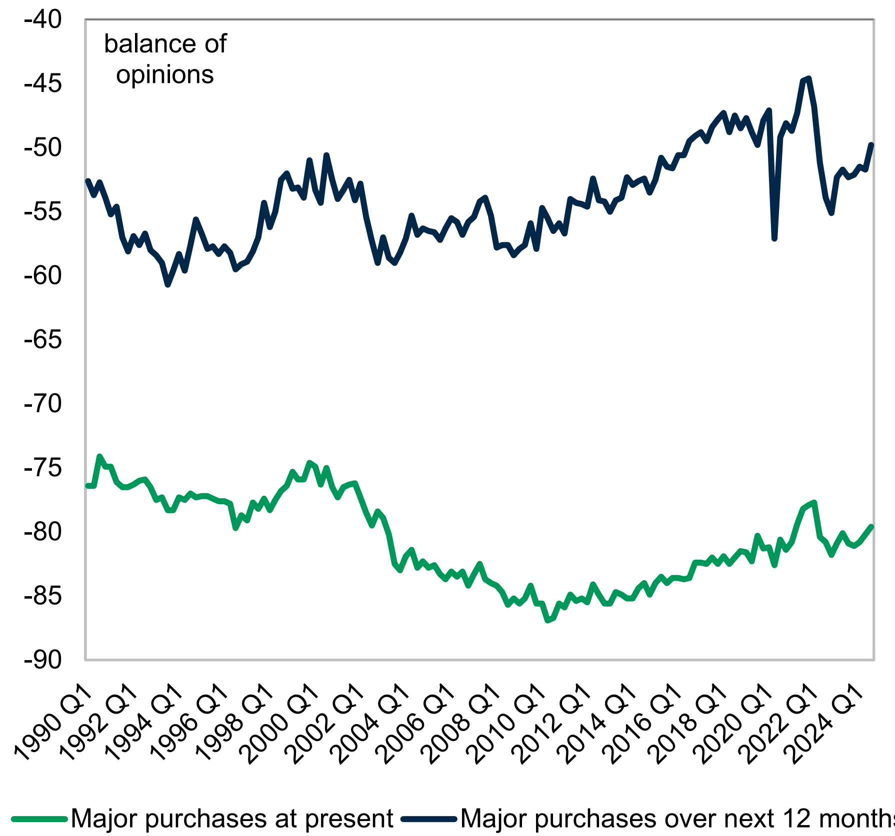
NO CLEAR DIRECTION SUGGESTED BY SURVEYS

No short-term recovery in the propensity to consume



Sources: European Commission, Crédit Agricole S.A./ECO.

Lack of clear direction in purchasing intentions

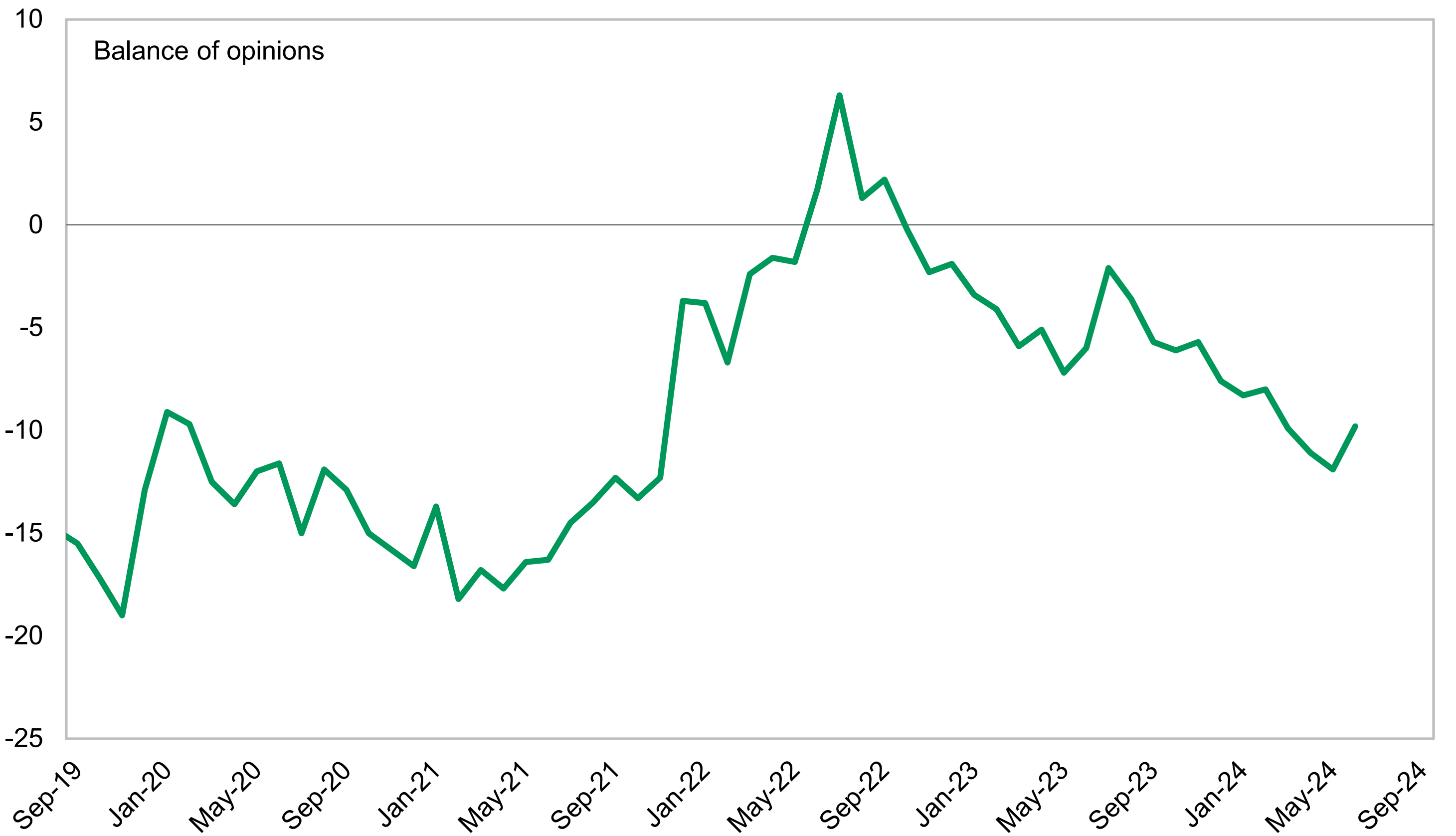


Sources: European Commission, Crédit Agricole S.A./ECO.

HOUSEHOLDS

PRECAUTIONARY SAVINGS FUELLED BY UNCERTAINTY

Household uncertainty index

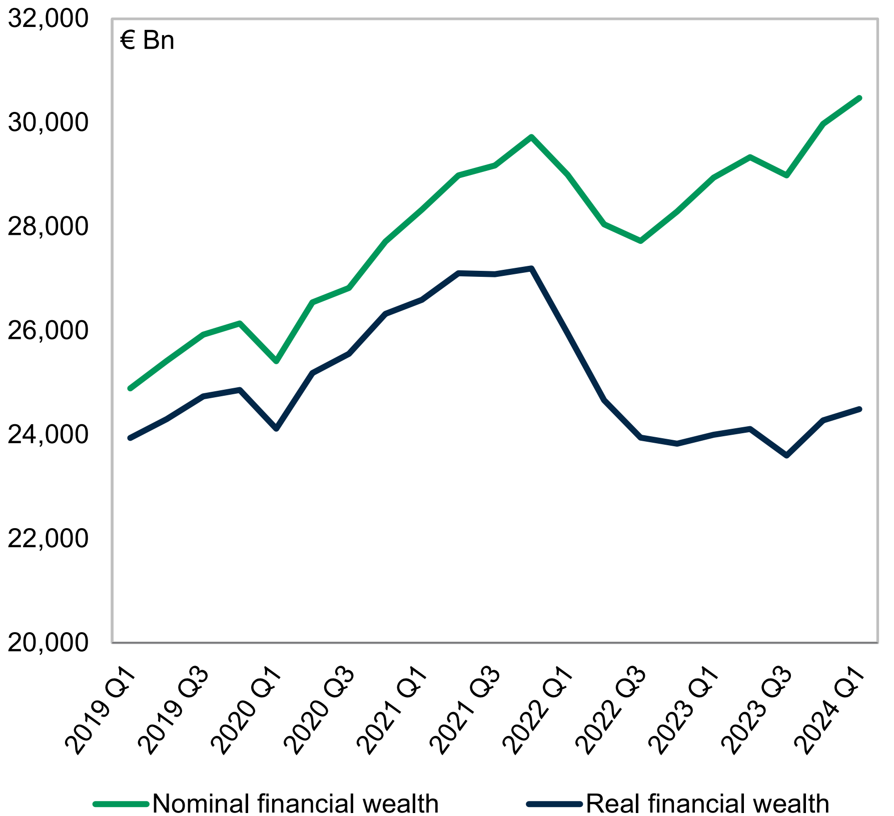


Sources: European Commission, Crédit Agricole S.A./ECO.

HOUSEHOLDS

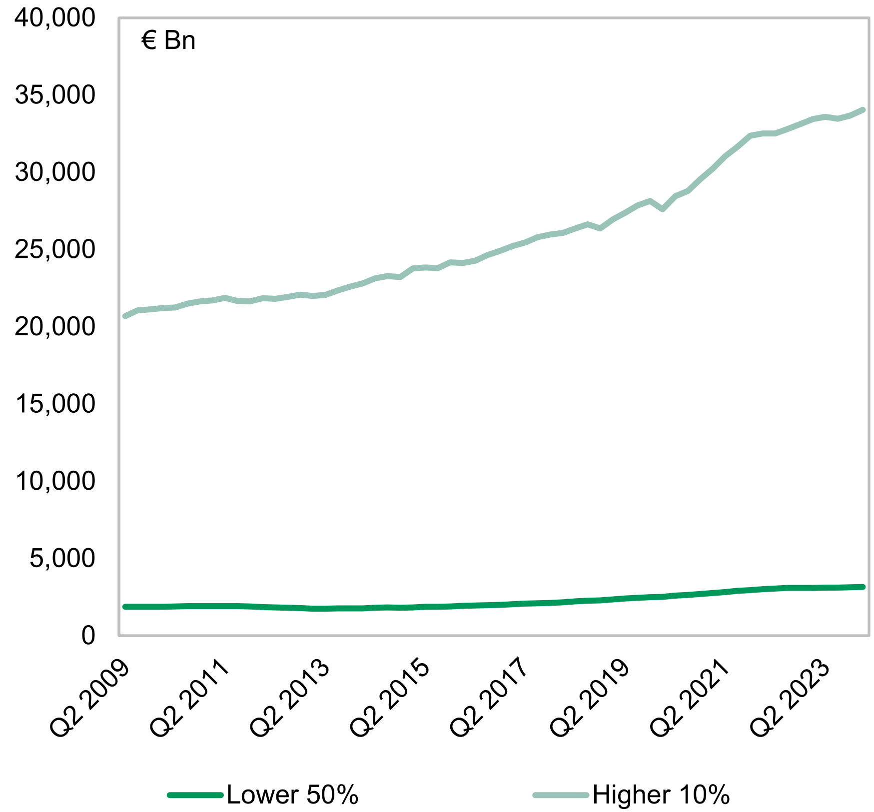
SAVINGS RATE: REBUILDING REAL CASH HOLDINGS

Household financial wealth eroded by inflation



Sources: Eurostat, Crédit Agricole S.A./ECO.

Financial wealth has increased mainly for the richest households

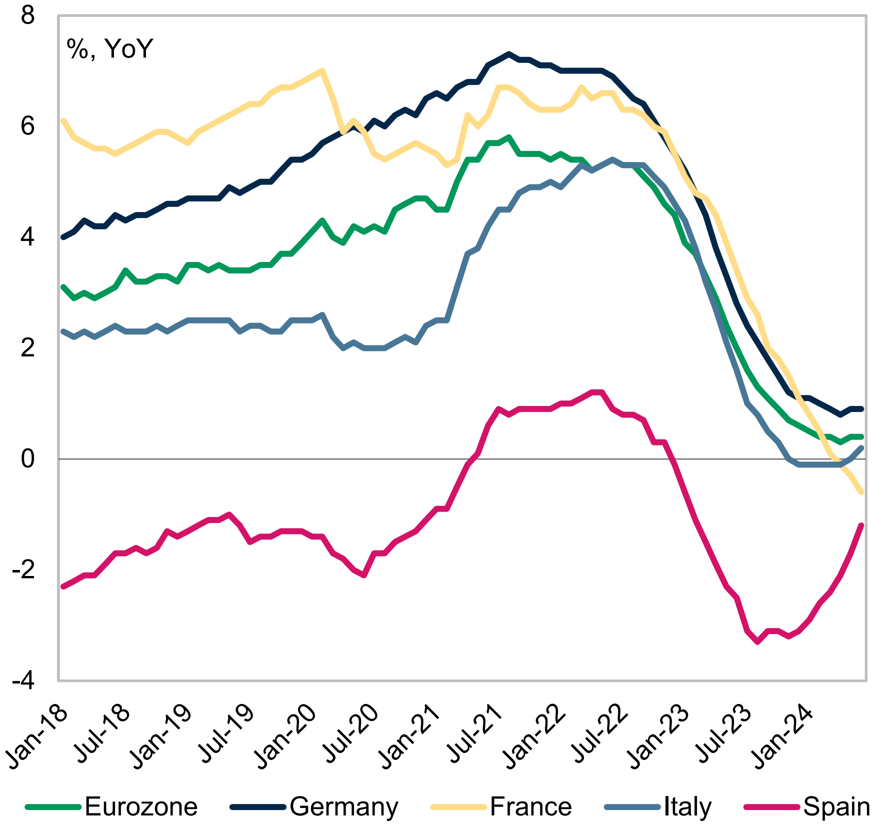


Sources: ECB, Crédit Agricole S.A./ECO.

HOUSEHOLDS

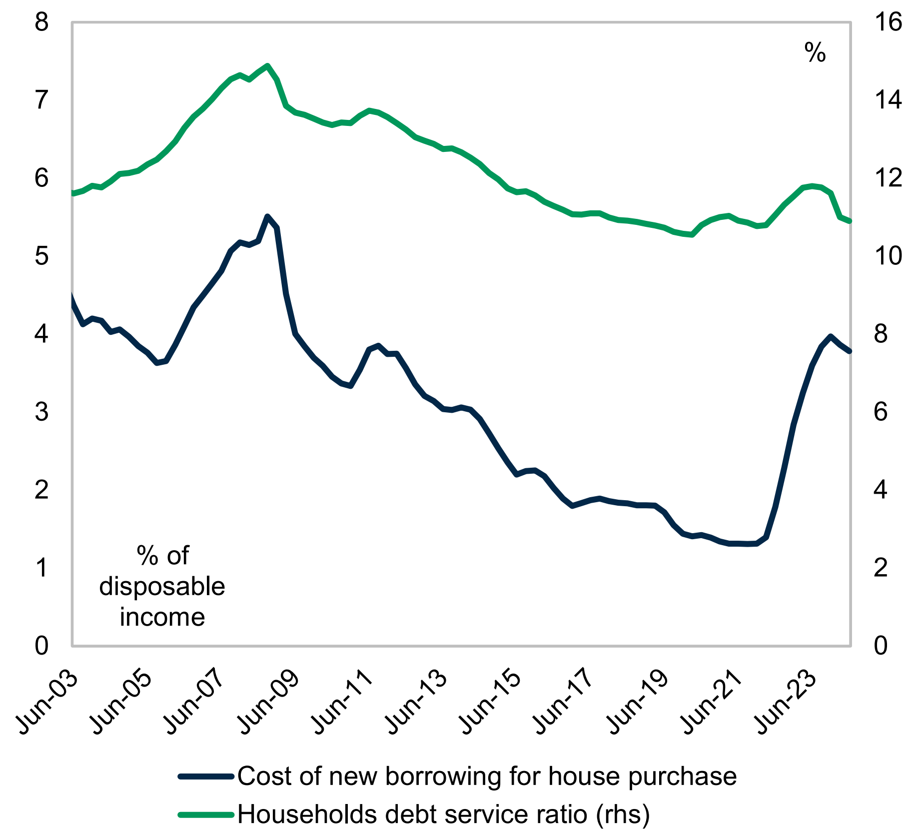
SAVINGS RATE: REBUILDING REAL-ESTATE PURCHASING POWER

Home loan outstandings: weak growth despite the recovery in new loans



Sources: ECB, Crédit Agricole S.A./ECO.

Costs have begun to fall



Sources: Eurostat, ECB, Crédit Agricole S.A./ECO.

SAVINGS RATE

EXPECTED TO DIP SLIGHTLY AND REMAIN HIGHER THAN BEFORE THE PANDEMIC

Decrease in the savings rate

Increase in confidence with the decrease in inflation

Lower rates and reallocation to more liquid assets available for consumption

Less property income relative to labour income in the composition of disposable income

End of the rebuilding of real cash holdings

Less erosion of real-estate purchasing power

Increase in the savings rate

Uncertainty

Weakening of the labour market

Scant spending of excess savings (top wealth distribution deciles, low propensity to consume)

NON FINANCIAL CORPORATIONS

RECOVERY IN INVESTMENT STILL HINDERED BY NUMEROUS OBSTACLES

The sharing of added value continues to prove unfavourable to margins. The margin rate fell once again in Q2 2024, to 38.8% (after 39.1%), as wages paid increased faster than value added. The decline in productivity added to the persistently strong momentum in wage costs, pushing up unit wage costs and eroding margins. In today's disinflationary environment, these increases can no longer be passed on to sales prices.

The result is a further decline in the investment rate of non-financial companies, to 21.3% after 22.3%. Investment contracted sharply in volume terms in Q2 2024, by 2.2%. But excluding the impact of the steep decline in investment in Ireland (-65%), the contraction comes out at just -0.3%. Momentum in machinery and equipment investment (-0.9%) remains anaemic, especially in Germany, while the 2.4% increase in transport equipment investment results both from a sharp decline in Germany and more positive developments in Spain and Italy and, above all, the Netherlands and Portugal. Capital accumulation in construction continues to be hampered by housing (-1.3%), while investment in other construction increased (0.4%).

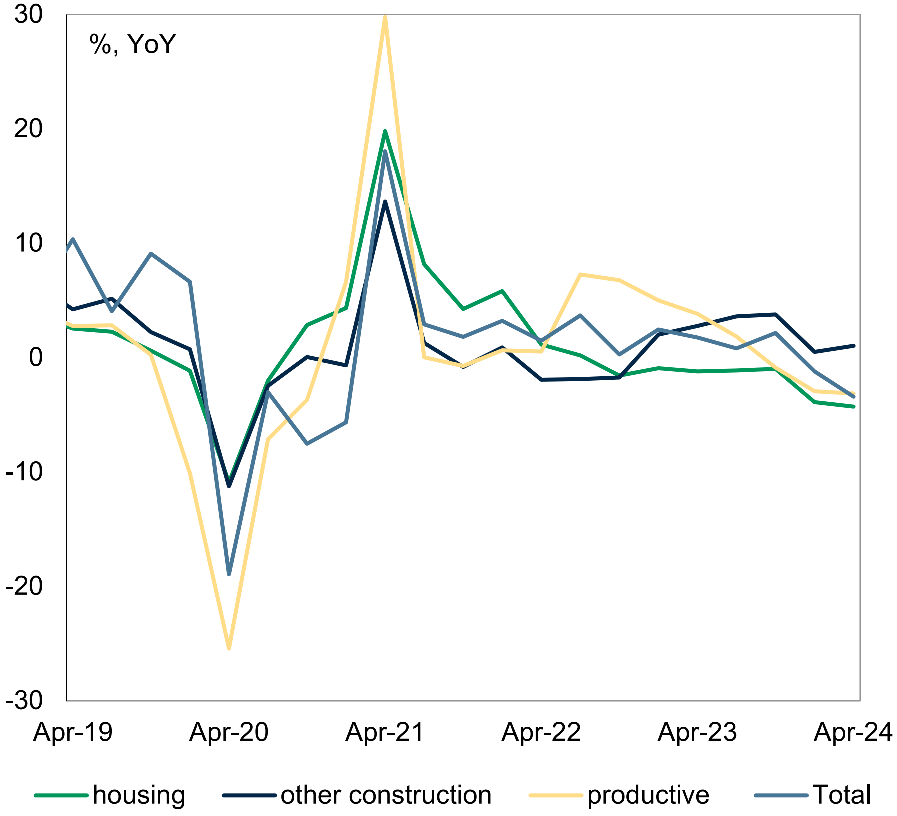
In the second quarter, all construction components were down by around 3% year-on-year, with the exception of other construction (building and public works). The outlook for investment in machinery and equipment remains lacklustre, a result of weak demand and a declining capacity utilisation rate, which justify lower capacity expansion needs. Profitability has also deteriorated since the summer of 2023 on the continued strong increase in wage costs and the fall in productivity. Our scenario of a recovery in investment is based on the gradual easing of financial conditions, slightly more dynamic European demand and reduced pressure from unit labour costs on margins. This scenario also rests on persistently strong needs related to the digital and ecological transitions and the final phase in the disbursement and spending of NGEU funds. Regarding housing, the drop in interest rates on new loans and the recovery in new loans strengthen the outlook for a gradual stabilisation of household investment.

Though the forecast is accompanied by significant uncertainty, investment is expected to recover at the end of 2024, moving into positive territory in 2025 at +0.9% after -2.6% in 2024.

NON FINANCIAL CORPORATIONS

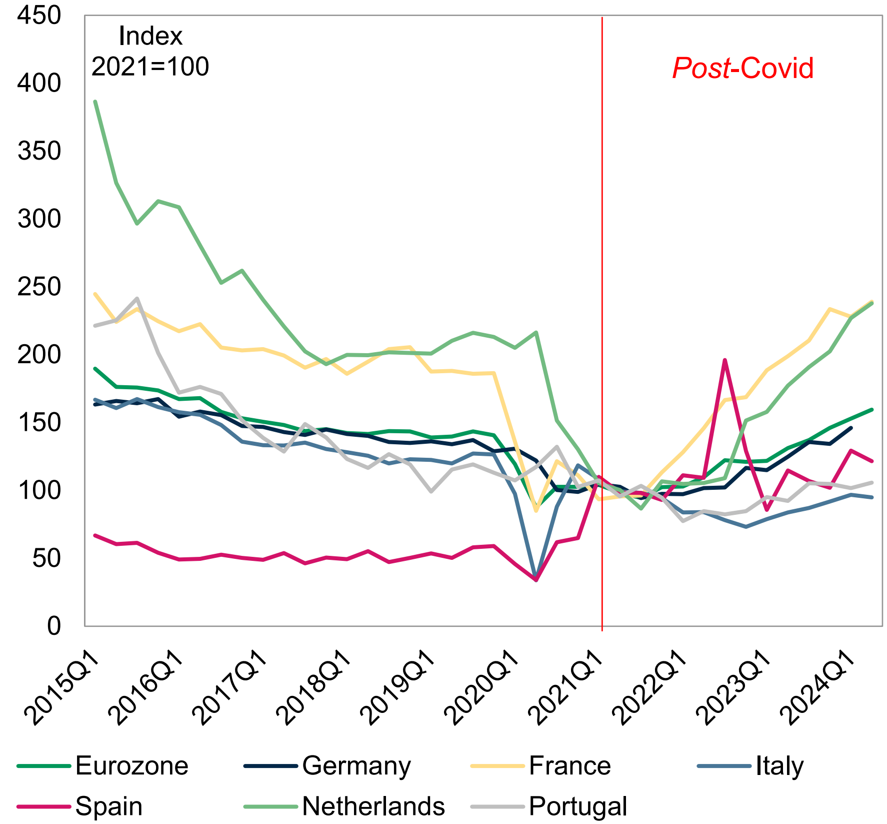
LOWER MARGINS AND HIGH FINANCIAL COSTS ARE WEIGHING ON INVESTMENT AND COMPANY DEFAULTS

Investment by type of physical asset



Sources: Eurostat, Crédit Agricole S.A./ECO.

Bankruptcies by country



Sources: Eurostat, Crédit Agricole S.A./ECO.

ECONOMIC POLICY

MONETARY POLICY PASSING THE RESTRICTIVE BATON TO FISCAL POLICY

The economic policy environment is not yet favourable to growth. Our scenario of a cut in key rates has only been partially incorporated into the long part of the curve and the real rate is still trending in a restrictive direction, primarily because inflation in September is lower than the target and growth remains below potential. The disinflationary environment is compounded by weak domestic demand, which may call for a future adjustment to our rate cut scenario.

While the negative stimulus of monetary policy is expected to gradually diminish (by 25bp per quarter until September 2025), fiscal policy is expected to become more restrictive, with a fiscal stimulus at least as negative in 2025 as in 2024. While the reduction of deficits in 2024 was marked by more painless measures (including the end of support measures for energy costs), tougher choices will need to be made in 2025 on spending. The new rules imply substantial adjustments for some countries, at least until 2030, contributing to a downwards revision of our medium-term growth forecast. Given recent developments in public debt, these policy moves are vital. However, in the medium term, different trajectories are emerging among the most indebted Eurozone countries.

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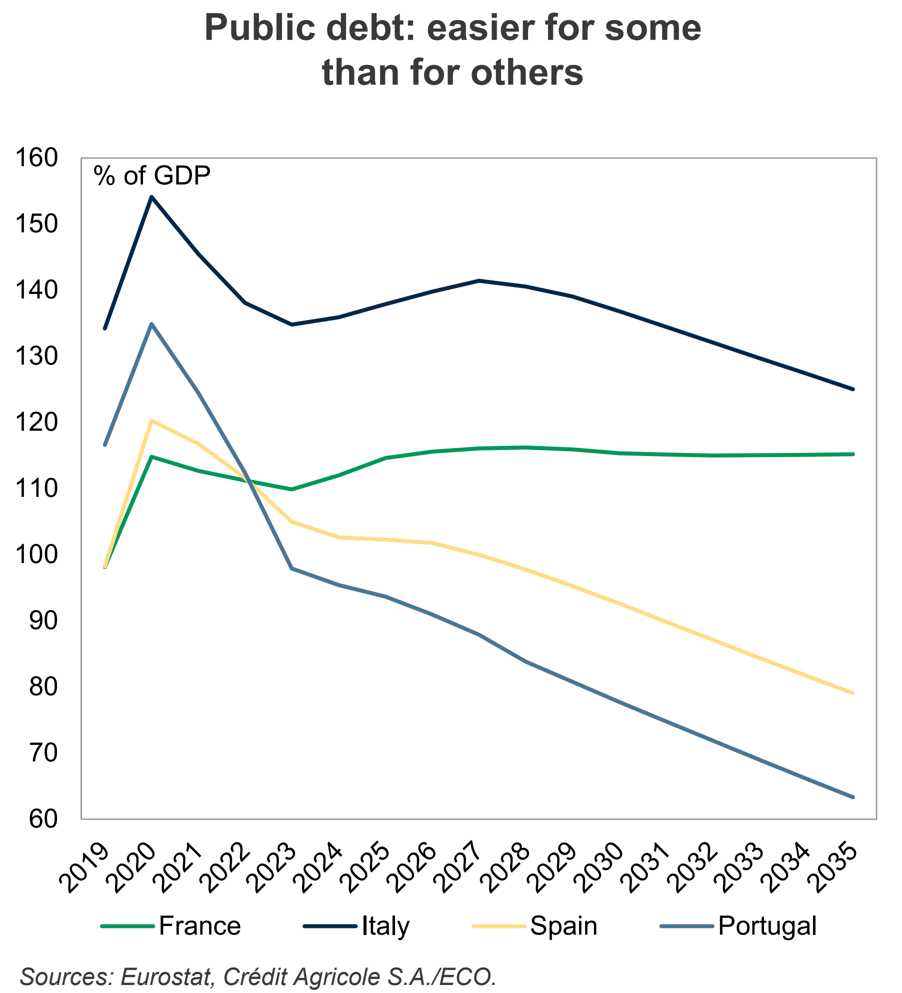
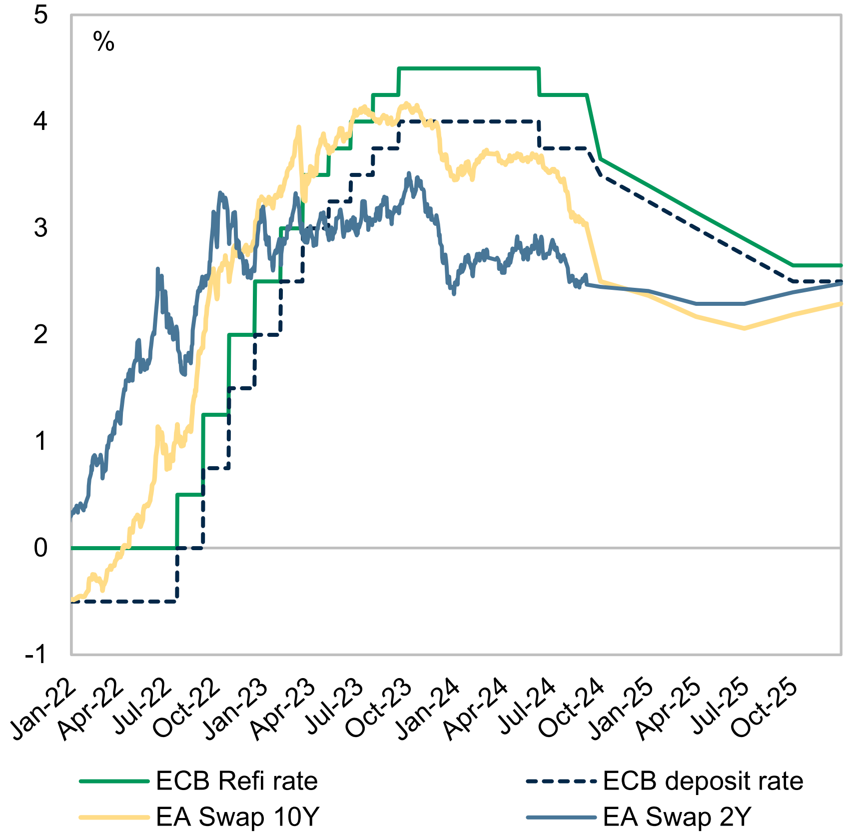


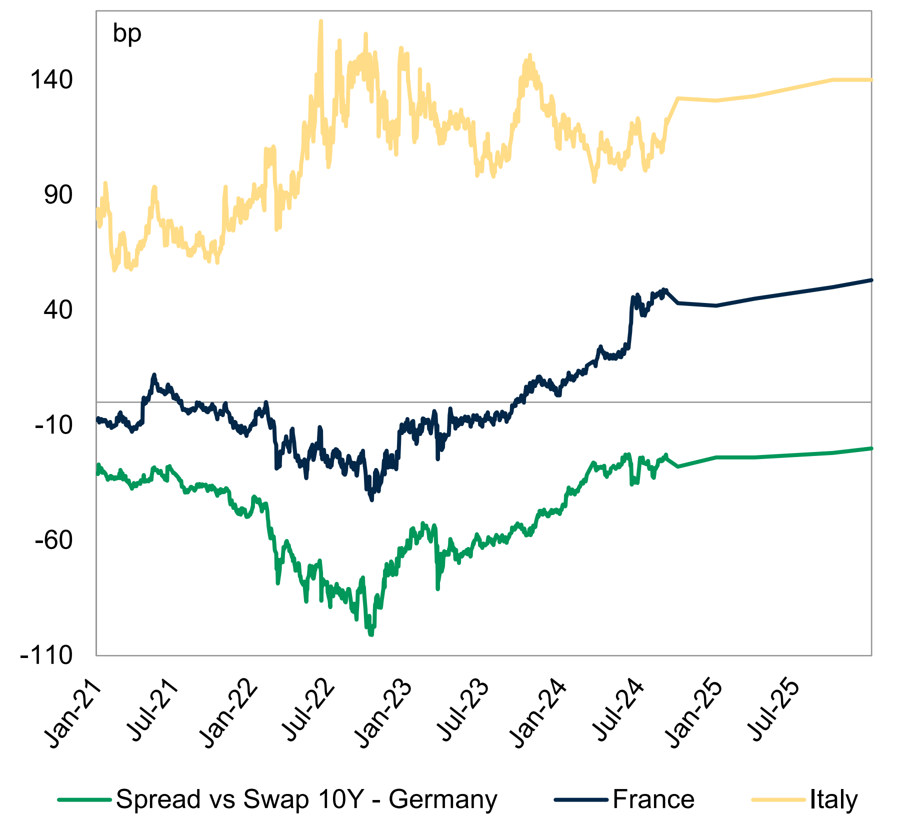
MONETARY NORMALISATION WITH A REBALANCING OF RISKS

Gradual monetary normalisation and moderate decline in interest rates



Sources: ECB, CACIB, Crédit Agricole S.A./ECO.

Sovereign rates – Forecast revised downwards



Sources: ECB, CACIB, Crédit Agricole S.A./ECO.

RECALIBRATION OF THE BALANCE OF RISKS

DOWNSIDE RISK TO GROWTH EXCEEDS UPSIDE RISK TO INFLATION

Downside risks to activity

Further slowdown of key partners

Undifferentiated increase in tariffs by the new US administration

Further weakening of industry

Deterioration in margins not offset by the decrease in interest expenditure

Scant spending of excess savings (top wealth distribution deciles, low propensity to consume)

Upside risks to activity

Spending of excess savings driven by lower rates and inflation

Faster and more consequential rate cuts by the ECB

Stronger momentum in foreign demand for the Eurozone

OUR FORECAST IN DETAIL

Eurozone scenario – October 2024
Recalibration of the balance of risks

	2022	2023	2024	2025	2023				2024				2025			
					T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4
GDP (y/y, q/q, %)	3,6	0,5	0,8	1,3	0,0	0,0	0,0	0,0	0,3	0,2	0,4	0,3	0,3	0,4	0,3	0,4
Domestic demand (contribution to GDP, pps)	3,3	1,1	0,1	1,0	0,4	0,3	0,3	0,4	-0,3	-0,3	0,2	0,2	0,3	0,3	0,3	0,3
Private consumption (y/y, q/q, %)	4,9	0,7	0,7	1,3	0,2	0,5	0,2	0,0	0,3	0,1	0,3	0,2	0,4	0,4	0,4	0,4
Public consumption (y/y, q/q, %)	1,1	1,5	1,9	0,6	0,3	0,4	0,8	0,6	0,2	0,9	0,2	0,0	0,1	0,1	0,1	0,1
Investment (y/y, q/q, %)	2,1	1,8	-3,0	0,9	1,1	-0,3	0,0	1,4	-2,2	-2,5	0,1	0,5	0,4	0,5	0,4	0,6
Stockbuilding (contribution to GDP, pps)	0,5	-0,8	-0,6	-0,1	-0,7	0,2	-0,4	-0,4	-0,2	0,1	0,1	-0,1	-0,1	0,0	0,0	0,0
Net exports (contribution to GDP, pps)	-0,1	0,3	1,2	0,4	0,3	-0,4	0,2	0,1	0,8	0,4	0,1	0,2	0,1	0,0	0,1	0,0
Exports (y/y, q/q, %)	7,4	-0,5	2,0	3,1	-0,7	-1,0	-1,1	0,3	0,9	1,5	0,6	0,7	0,8	0,7	0,7	0,7
Imports (y/y, q/q, %)	8,4	-1,1	-0,4	2,6	-1,4	-0,1	-1,5	0,1	-0,7	0,8	0,5	0,5	0,7	0,7	0,7	0,7
Inflation (y/y, %)	8,4	5,4	2,3	1,9	8,0	6,2	5,0	2,7	2,6	2,5	2,2	2,1	2,1	1,9	1,9	1,8
Core inflation (y/y, %)	3,9	4,9	2,8	2,2	5,5	5,5	5,1	3,7	3,1	2,8	2,8	2,6	2,4	2,2	2,0	2,0
Unemployment rate (%)	6,8	6,6	6,5	6,4	6,6	6,5	6,6	6,5	6,5	6,5	6,5	6,6	6,5	6,4	6,4	6,4
Current account balance (% of GDP)	-0,1	1,7	2,8	2,6	-	-	-	-	-	-	-	-	-	-	-	-
Fiscal balance (% of GDP)	-3,5	-3,6	-3,1	-2,7	-	-	-	-	-	-	-	-	-	-	-	-
Public debt (% of GDP)	89,5	87,4	88,0	90,0	-	-	-	-	-	-	-	-	-	-	-	-

THE SCENARIO IN FIGURES

OUR FORECAST BY COUNTRY

	2022	2023	2024	2025	2023				2024				2025			
					T1	T2	T3	T4	T1	T2	T3	T4	T1	T2	T3	T4
Eurozone	3,6	0,5	0,8	1,3	0,0	0,0	0,0	0,0	0,3	0,2	0,4	0,3	0,3	0,4	0,3	0,4
Germany	1,4	-0,1	0,1	0,8	0,1	-0,2	0,2	-0,4	0,2	-0,1	0,1	0,2	0,2	0,3	0,3	0,3
France	2,6	1,1	1,1	1,0	0,0	0,7	0,1	0,4	0,3	0,2	0,4	0,0	0,3	0,2	0,2	0,4
Italy	4,1	1,0	0,8	0,8	0,4	-0,1	0,3	0,1	0,3	0,2	0,3	0,2	0,1	0,3	0,2	0,3
Spain	6,2	2,7	2,7	1,8	0,7	0,2	0,7	0,7	0,9	0,8	0,3	0,2	0,5	0,5	0,5	0,2
Netherlands	5,0	0,1	0,7	1,3	-0,2	-0,3	-0,4	0,2	-0,3	1,0	0,4	0,6	0,1	0,2	0,2	0,2
Belgium	3,0	1,4	1,1	1,2	0,4	0,3	0,3	0,3	0,3	0,2	0,3	0,3	0,4	0,2	0,2	0,4
Ireland	8,7	-5,7	-1,4	6,0	-5,5	-1,0	-1,9	-1,7	0,6	-1,0	2,0	1,5	1,6	1,6	1,6	1,6
Portugal	7,0	2,5	1,6	2,1	1,4	0,0	-0,1	0,8	0,6	0,2	0,2	0,4	0,3	0,9	0,9	0,7
Greece	5,7	2,0	2,3	2,0	0,0	0,9	0,1	0,4	0,8	1,1	0,4	0,1	0,6	0,7	0,5	0,2
Finland	1,3	-1,2	-0,3	1,5	0,1	0,3	-1,2	-0,6	0,3	0,3	0,4	0,0	0,5	0,5	0,5	0,5
Luxembourg	1,4	-1,1	1,2	2,3	0,3	0,1	-1,1	0,1	0,7	0,6	0,6	0,6	0,5	0,6	0,6	0,6
Austria	4,9	-0,7	0,3	1,8	0,1	-1,1	-0,4	0,1	0,1	-0,4	1,2	1,2	0,2	0,2	0,1	0,1
Slovenia	2,9	1,9	1,3	1,8	0,6	1,1	-0,1	0,8	-0,1	0,2	0,7	0,6	0,3	0,3	0,6	0,6
Malta	4,4	7,8	4,6	4,1	2,7	2,6	1,3	0,3	2,2	0,4	0,7	0,7	1,5	1,4	0,9	0,6

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